

VILLAGE OF ARDENTOWN
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006

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FOR THE YEAR ENDED JUNE 30, 2006**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Ardentown
1215 French Street
Ardentown, Delaware

We have performed the procedures enumerated below, which were agreed to by Village of Ardentown and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Village's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The Village of Ardentown's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 06-1 - During completion of the Village of Ardentown's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid had limited segregation of duties. The Village Treasurer controls all the cash functions for the Village, which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION - The Village should segregate duties related to cash among the Village's board members so that additional controls over the Village's municipal grants can be established.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"All checks written from the Village (including Municipal Street Aid) must be cosigned by two of the three Village officers (Chairperson, Treasurer and Secretary). This proactive control process has been set-up with our bank to only process checks when two valid signatures are on each check. This is not true segregation of duties but it does ensure that two elected village officers must approve each disbursement of funds."

The Village Treasurer only writes checks for invoices that have been approved by the responsible Public Works Committee member. The Municipal Street Aid account is included in the annual village audit conducted by three village residents who are independent of the treasurer. The annual audit has been in place for many years as an "after the fact" control process. The 2006 audit report is available if you would like a copy."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Village's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

FINDING NO. 06-2 - During completion of the Village of Ardentown's program checklist for the municipal street aid grant, it was noted that the Village paid two invoices more than 30 days after receipt of the invoice, which is not in compliance with the State's regulations over disbursements [29 Del. C. §6516(d)]. No additional charges were incurred by the Village due to the late payments. The delinquent payment of invoices could expose the Village to unnecessary late payment charges.

RECOMMENDATION - The Village should establish procedures that ensure invoices are paid in a timely manner.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"Our process is that the Public Works committee member responsible for the spend category (street repair, snow plowing, signs) must first approve each invoice with their signature prior to two Village officers signing the check for each invoice. Since these positions are staffed by unpaid volunteers (except for a nominal annual payment to the treasurer and secretary), the invoices are not always approved by all three people within the 30 day period. Also, we reserve the right to withhold payment until the work is satisfactorily completed. In one of the invoices identified in the finding, the work was not satisfactorily completed and we withheld payment until it was done. Our suppliers have never charged a late fee. If this ever occurs, the late fees will be paid from the Village bank account and not charged to Municipal Street Aid."

FINDING NO. 06-3 - During completion of the Village of Ardentown's program checklist for the municipal street aid grant, the Village was unable to locate the deposit slip for the municipal street aid grant deposit, so we were not able to determine whether funds were deposited timely into the bank account. Failure to maintain proper documentation for grant transactions could result in the loss of funding.

RECOMMENDATION - The Village should take measures to ensure that the proper documentation is maintained for all municipal street aid deposits.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"The Village Treasurer makes every effort to retain all records (bank statements, cleared checks, deposit slips) for all accounts to enable auditors to examine all records. This is the only missing deposit slip from all of the accounts that our Treasurer manages. In the case of the missing deposit slip, the Municipal Street Aid bank account clearly shows that a deposit was made of the exact amount of the state's funds into the account just 8 days after the check was written by the State. This record demonstrates that the state funds were properly deposited into the account reserved for Municipal Street Aid. Only state funds are deposited into this account. The missing deposit slip is not needed (in the opinion of the Village Chair) to demonstrate that the funds were deposited into the bank account in a timely way. The bank statement is adequate proof."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts or gross violations of grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Village's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Village's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Village of Ardentown's Management and Trustees, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
December 4, 2006

**VILLAGE OF ARDENTOWN
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 11,759.48
Police Pension	-
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

See independent accountant's report on applying agreed-upon procedures.